



House of Representatives

File No. 609

General Assembly

February Session, 2002

(Reprint of File Nos. 42 and 496)

Substitute House Bill No. 5457
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
May 2, 2002

AN ACT CONCERNING PAYMENT OF MORTGAGE LOAN PROCEEDS BY WIRE TRANSFER.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2002*) Any person or entity
2 engaged in the business of making first mortgage loans in this state
3 and licensed in accordance with sections 36a-485 to 36a-498, inclusive,
4 of the general statutes, as amended by substitute senate bill 231 of the
5 current session, that chooses to utilize a wire transfer to send the loan
6 proceeds to the mortgagee's attorney, shall transfer the loan proceeds
7 to the bank which holds the account of the mortgagee's attorney by a
8 wire transfer in a timely manner, but in any event not later than the
9 scheduled date and time of the closing of the loan, except that in the
10 case of a mortgage refinancing where any right of rescission under 12
11 CFR 226.23 has terminated, any such wire transfer shall be in a timely
12 manner, but in any event not later than the disbursement date.

13 Sec. 2. (NEW) (*Effective October 1, 2002*) The Banking Commissioner
14 may suspend, revoke or refuse to renew a license pursuant to section
15 36a-51 of the general statutes, as amended, issued to a person or entity

16 engaged in the business of making first mortgage loans in this state
17 and licensed in accordance with sections 36a-485 to 36a-498, inclusive,
18 of the general statutes, as amended by substitute senate bill 231 of the
19 current session, that fails to comply with section 1 of this act.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>
Sec. 2	<i>October 1, 2002</i>

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
BF - Revenue Loss	Banking Dept.	-	Potential	Potential

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill could result in a revenue loss for the Banking Fund with the banking commissioner's authority to suspend, revoke or fail to renew the license of a person or entity engaged in the business of making first mortgage loans in the state.

House "A" specifies that the transfer of loan proceeds must be made to the bank holding the mortgagee's attorney's account rather than the account of the mortgagee's attorney. It has no fiscal impact.

OLR Amended Bill Analysis

sHB 5457 (as amended by House "A")*

AN ACT CONCERNING PAYMENT OF MORTGAGE LOAN PROCEEDS BY WIRE TRANSFER**SUMMARY:**

This bill requires any licensed person or business making first mortgage loans in the state that uses wire transfers to send loan proceeds, to transfer such proceeds to the bank holding the account of the mortgagee's attorney in a timely manner, but no later than the scheduled date and time of closing. In a mortgage refinancing, after termination of the three-day right of rescission period, the bill requires transfers to be made in a timely manner, but no later than the disbursement date.

The bill authorizes the banking commissioner to suspend, revoke, or refuse to renew the license of any such person or business that fails to comply with the wire transfer requirements.

*House Amendment "A" specifies that the transfer of loan proceeds must be made to the bank holding the mortgagee's attorney's account rather than to the account itself.

EFFECTIVE DATE: October 1, 2002

BACKGROUND***Related Bill***

Substitute Senate Bill 231 expands current mortgage licensing requirements to mortgage correspondent lenders and originators. First and second mortgage correspondent lenders are people who make mortgage loans in their own names but (1) do not fund them; (2) hold them for less than 90 days; or (3) arrange for someone else to fund them through a warehouse, table funding, or similar agreement. Originators are people who get paid to set up a first or second

mortgage loan through a first or second mortgage lender or broker. A first or second mortgage lender or broker must register them with the banking commissioner before they can engage in mortgage loan originations.

Legislative History

On March 21, the House referred the bill (File 42) to the Banks Committee. On March 28, the Banks Committee reported the substitute bill, which eliminated the requirement that wire transfers be made no later three hours before closing and instead required that they be made in a timely manner but no later than the closing date, or in a refinancing, the disbursement date. The substitute also added the authority for the banking commissioner to suspend, revoke, or refuse to renew licenses for failing to comply with wire transfer requirements. On April 18, the House referred the bill to the Judiciary Committee, which reported it favorably on April 22.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 17 Nay 0

Banks Committee

Joint Favorable Substitute
Yea 13 Nay 0

Judiciary Committee

Joint Favorable Report
Yea 32 Nay 0